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THE PLACE OF PUBLIC LANDS IN FINANCING SCHOOLS IN UTAH

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UTAH PUBLIC LANDS AND RESOURCES

Their Management and Importance

To Education

and

Adverse Effects From Proposed

Constitutional Amendment

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MOMENTOUS DECISIONS CONFRONT THE VOTERS OF UTAH

In the November election, the voters of Utah will accept or reject a proposed amendment to the State Constitution which would seriously reduce current school revenue and eliminate great potential future income now guaranteed to the schools by the Constitution.

Every effort should be made to bring the full facts about this far-reaching proposal before the public so that the voters may make wise decisions for the State and its schools.

The main purpose of this publication is to provide materials for use in the campaign to defeat the proposed amendment. However, another purpose of great importance can be served if the public becomes informed and interested in our public lands and what is needed to provide for their effective administration.

In the past, the general public as well as those engaged in education, through their inaction have permitted the extensive and valuable Federal grants for the schools of Utah to be sold and managed in ways which unduly favor the interests of the users and buyers, rather than the interests of the school children.

An informed public is the first need. This can provide a suitable basis for new legislation to improve the administration of our public lands and to re-formulate our policies to achieve the maximum benefits of our remaining resources.

The whole problem is one of great complexity, but its great importance will justify extensive study and well-planned programs to attain objectives.

The tables, charts, and materials in this pamplet have been assembled to show the extent of our public land holdings and some of the results of past programs and policies. Mistakes of the past are evident in the various charts and graphs, especially the early sale of three million acres of our best lands at low prices.

Yields of the resulting small permanent fund have been disappointing. The present annual revenue from this fund is not sufficient to pay the costs of one full day of school for the children of the State. Changing economic conditions which have lowered the interest rates and progressive inflation are largely responsible for these meager results.

It is these changing economic conditions which cast grave doubts on the Constitutional proposal to put royalties on minerals into a permanent fund. It would appear more advantageous to leave the power to change the manner of use of such revenue to the Legislature, so that the primary objective of betterment of the schools of the State can be fulfilled.

Sweeping Changes In Uniform School Fund Program Proposed By Constitutional Amendment

NEW WORDS IN CAPS

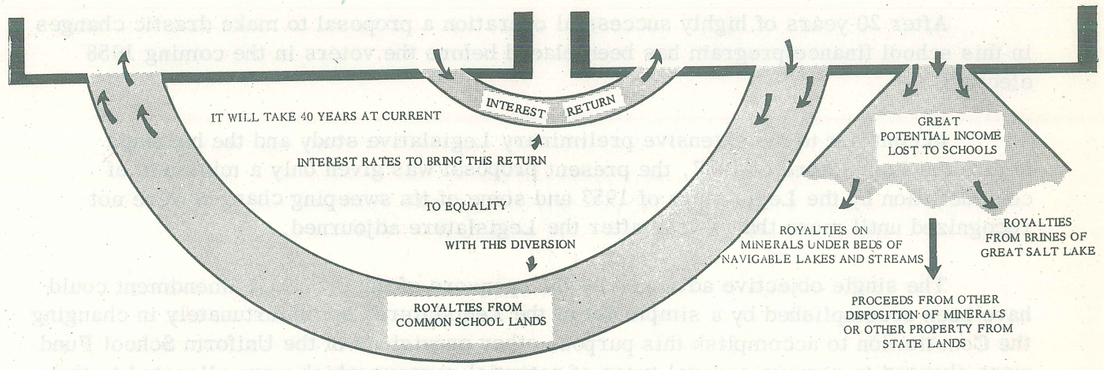
DELETED WORDS IN ITALICS ENCLOSED IN PARENTHESIS

Permanent School Fund

Article X, Section 3. The proceeds of the sales of all lands that have been or may hereafter be granted by the United States to this state, for the support of the common schools, ROYALTIES RECEIVED BY THE STATE AS A RESULT OF MINERAL LEASES OF LANDS THAT HAVE BEEN OR MAY HEREAFTER BE GRANTED BY THE UNITED STATES TO THIS STATE, FOR THE SUPPORT OF THE COMMON SCHOOLS, and five per centum of the net proceeds of the sales of United States public lands lying within the state and sold by the United States subsequent to the admission of this state into the Union, shall be and remain a permanent fund, to be called the State School Fund, the interest of which only, shall be expended for the support of the common schools.

Uniform School Fund

The interest on the State School Fund, the proceeds of all property that may accrue to the state by the escheat or forfeiture, all unclaimed shares and dividends of any corporation incorporated under the laws of this state, the proceeds of the sales of timber AND RENTALS RECEIVED BY THE STATE (~~*AND THE PROCEEDS OF THE SALE OR OTHER DISPOSITION OF MINERALS OR OTHER PROPERTY*~~) from school and state lands, other than those granted for specific purposes, shall, with such other revenues as the Legislature may from time to time allot thereto, constitute a fund to be known as the Uniform School Fund, which Uniform School Fund shall be maintained and used for the support of the common and public schools of the state and *apportioned in such manner as the Legislature shall provide.*



AFTER 60 YEARS AND THE SALE OF OVER THREE AND ONE-HALF MILLION ACRES OF LAND THE INTEREST RETURN ON THE PERMANENT FUND IS ONLY 14 PER CENT OF TOTAL INCOME AND LESS THAN CURRENT ROYALTY YIELDS.

AMENDMENT WOULD ELIMINATE THESE GREAT POTENTIAL REVENUES FROM THE UNIFORM SCHOOL FUND.

THE UNIFORM SCHOOL FUND

For the last 20 years the Uniform School Fund has served as the primary instrument for State financing of education. Through this Fund great progress has been made in equalization of educational opportunity and raising school standards.

This Fund, brought into being by a Constitutional Amendment in 1938, was designed to accomplish several important objectives:

1. To remove the existing severe constitutional restrictions on the amount of State aid for education. The limit at the time was $30 per student, $25 distributed to the poor and the rich school districts alike, and a $5 fund distributed on an equalization basis. A new Uniform School Fund was established by the amendment and the Legislature was given authority to make this fund as large as needed to equalize educational opportunity and raise school standards to any level the Legislature may determine.

2. To provide through the Uniform School Fund a broad receptacle designed to receive many types of revenue and from which the Legislature had full power to make allocations in various ways for school needs and in a manner to make effective adjustments to changing conditions.

3. To establish a program of reserving all revenue from public land and natural resources for the support of education. This is probably the only way education can expand and improve without adding to property and other heavily worked taxes.

PROPOSED AMENDMENT CARELESSLY FORMULATED

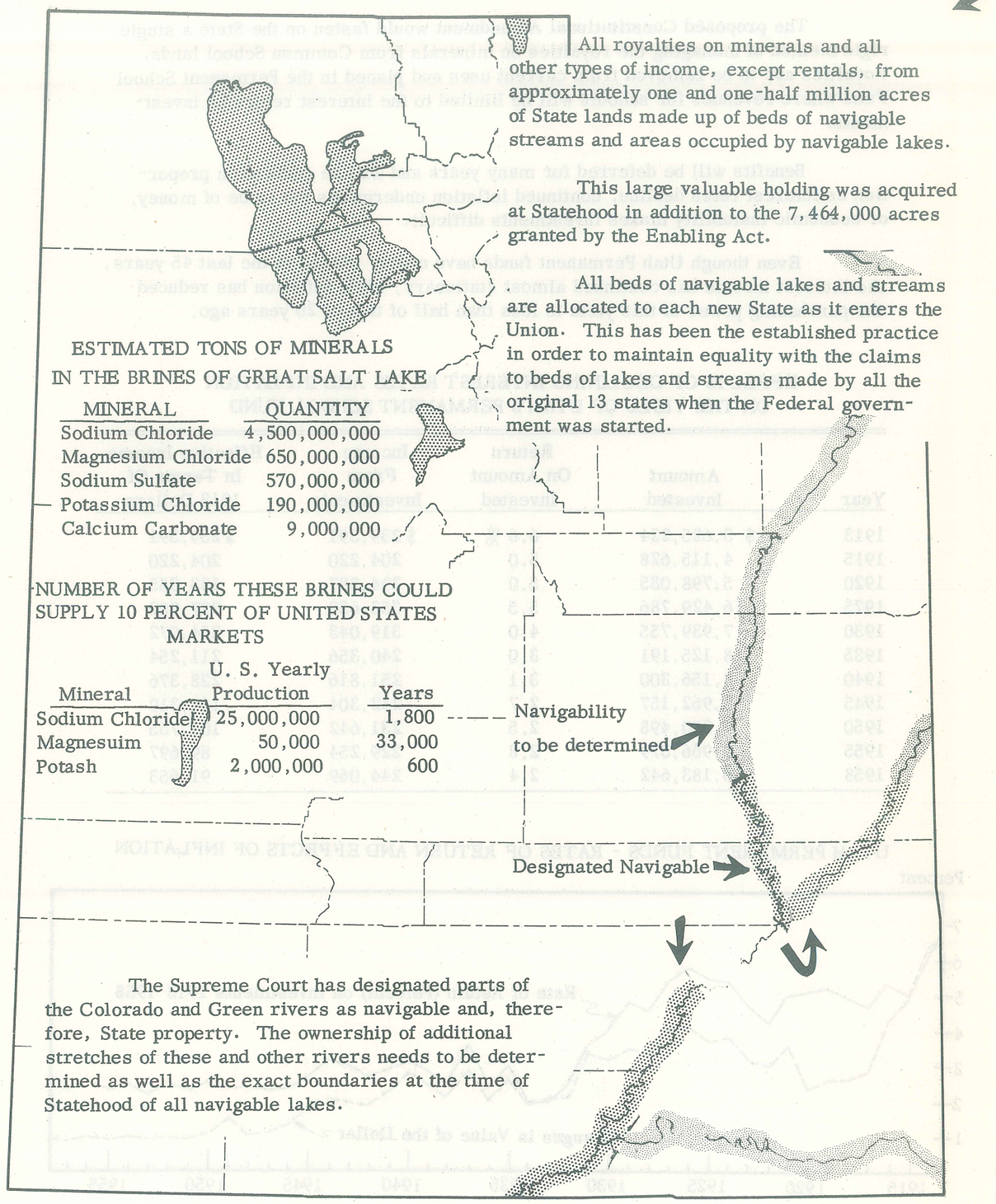
Section 3 of Article X of the present State Constitution was formulated to implement the recommendations of a study of needed changes in financing the schools of Utah made for the Legislature of 1937. The present Uniform School Fund program was then approved by the people as an amendment to the Constitution at the general election of 1938.

After 20 years of highly successful operation a proposal to make drastic changes in this school finance program has been placed before the voters in the coming 1958 election.

In contrast to the extensive preliminary Legislative study and the hearings before the Legislature of 1937, the present proposal was given only a minimum of consideration by the Legislature of 1957 and some of its sweeping changes were not recognized until more than a year after the Legislature adjourned.

The single objective advanced by the sponsors of the proposed amendment could have been accomplished by a simple act of the Legislature, but unfortunately in changing the Constitution to accomplish this purpose other provisions of the Uniform School Fund were changed to remove several types of potential revenue which were allocated to the schools 20 years ago.

THE PROPOSED CONSTITUTIONAL AMENDMENT ELIMINATES FROM THE UNIFORM SCHOOL FUND



All royalties on minerals and all other types of income, except rentals, from approximately one and one-half million acres of State lands made up of beds of navigable streams and areas occupied by navigable lakes.

This large valuable holding was acquired at Statehood in addition to the 7,464,000 acres granted by the Enabling Act.

All beds of navigable lakes and streams are allocated to each new State as it enters the Union. This has been the established practice in order to maintain equality with the claims to beds of lakes and streams made by all the original 13 states when the Federal government was started.

The Supreme Court has designated parts of the Colorado and Green rivers as navigable and, therefore, State property. The ownership of additional stretches of these and other rivers needs to be determined as well as the exact boundaries at the time of Statehood of all navigable lakes.

INTEREST INCOME FROM PERMANENT FUNDS

The proposed Constitutional Amendment would fasten on the State a single rigid method of managing the royalties on minerals from Common School lands. Royalties are to be removed from current uses and placed in the Permanent School Fund where revenues for schools will be limited to the interest return on investments.

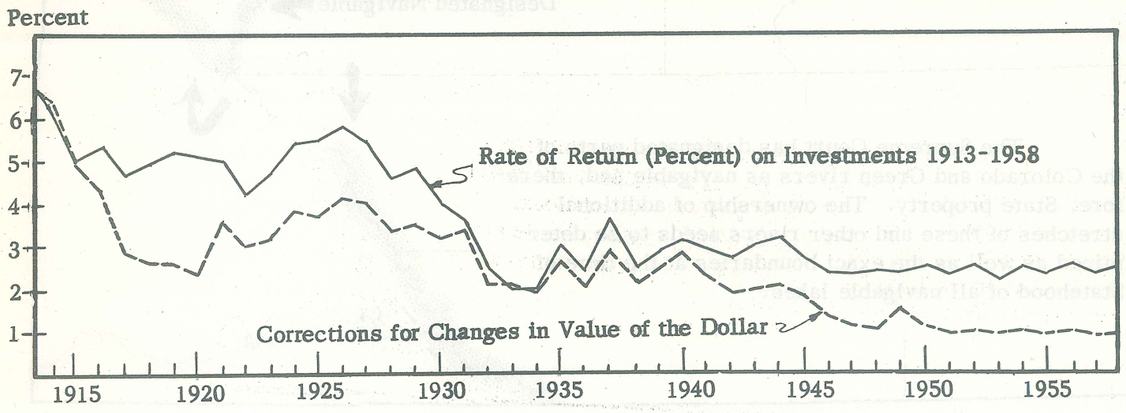
Benefits will be deferred for many years and will be reduced in proportion as interest rates decline, continued inflation undermines the value of money, or economic instability makes investments difficult.

Even though Utah Permanent funds have nearly tripled in the last 45 years, the interest income has continued almost stationary, while inflation has reduced the purchasing power of this yield to less than half of that of 20 years ago.

EFFECTS OF DECLINING INTEREST RATES AND INFLATION ON THE YIELD OF UTAH'S PERMANENT SCHOOL FUND

Year	Amount Invested	Return On Amount Invested	Income From Investments	Effective Income In Terms Of 1913 Dollars
1913	$ 3,625,224	6.6 %	$239,391	$239,391
1915	4,115,628	5.0	204,220	204,220
1920	5,798,035	5.0	294,887	133,355
1925	6,429,786	5.5	353,638	237,902
1930	7,939,755	4.0	319,043	254,072
1935	8,125,191	3.0	240,356	211,254
1940	8,156,300	3.1	251,816	228,376
1945	8,962,157	2.7	242,304	161,319
1950	9,250,498	2.5	231,642	101,755
1955	9,966,379	2.3	229,254	89,697
1958	10,183,642	2.4	244,069	91,653

UTAH PERMANENT FUNDS - RATES OF RETURN AND EFFECTS OF INFLATION



AMENDMENT WOULD INTERFERE WITH UNITY OF MANAGEMENT

The amendment, by removing from the Uniform School Fund all other revenue on State lands except rentals, not only alters the pattern of school finance but creates a division and possible conflict of interest in the management of Utah public lands.

With rentals going to the schools and royalties and other types of income going for other purposes, conflicts may arise both in management of resources and the division of revenue.

The three million acres of state school lands and the million and a half acres of other state lands can best be managed as a unit and their revenues used for the same purpose.

The logic of this arrangement is strengthened by the existing program of allocation to the Uniform School Fund of 90 per cent of all the income to the State from the Federal Mineral Leasing Act.

The 37 million acres of Federal land, the three million acres of school land, and near one and a half million acres of other state lands make a combined total of 76 per cent of the total area of the State.

The potential of income for the schools in this vast area is great. Royalties on oil and natural gas production are in the beginning stages of what may be highly significant income for the future.

INCOME FROM INVESTMENTS, MINERAL LEASES, AND MINERAL ROYALTIES

	Investments		Mineral Leases		Mineral Royalties		
Year	Income	PerCent of Total Income	Income	PerCent of Total Income	Income	PerCent of Total Income	Total Income
1940	$251,816	70	$ 10,178	3	$ 8,450	2	$ 358,033
1944	284,133	64	33,891	8	11,435	3	372,106
1948	222,934	35	184,019	29	53,286	8	631,461
1950	231,642	35	273,712	42	23,021	3	658,460
1952	241,463	29	465,313	51	27,877	3	909,331
1954	245,514	23	677,978	66	18,999	2	1,024,060
1955	229,254	14	1,110,227	67	177,520	11	1,649,646
1956	256,238	17	969,916	64	154,354	10	1,516,050
1957	235,231	15	969,434	63	202,375	13	1,546,449
1958	244,069	14	1,041,829	60	306,001	18	1,745,295

MANAGING SCHOOL LANDS TO INSURE BENEFITS FOR CHILDREN OF THE FUTURE

Adequate provisions for an equitable distribution of benefits between present and future generations of school children should be a primary objective in the administration of school land grants.

The method most generally used to achieve this objective has been a requirement in all Enabling Acts that the proceeds from the sale of lands be placed in permanent funds, with the interest only available for current expenditures.

To achieve this objective, the permanent fund must be maintained without loss, the rate of interest should be productive, and the purchasing power of money should remain stable. Unfortunately, none of these conditions have prevailed in Utah.

The prospects of continued inflation, with its devastating effects on the real income from permanent funds, is a challenge to seek alternative and more effective methods of providing equitable treatment of school children of future generations.

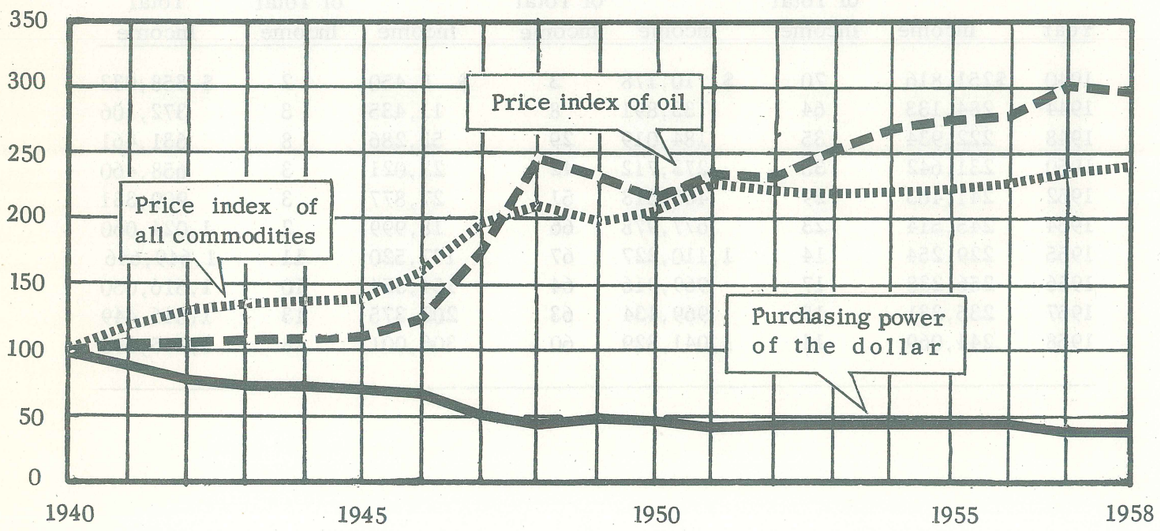
Most other Western States have held on to their land and are now reaping the benefits of marked increases in values of both the land and its products. Utah has sold four million acres, including the choice parts of our school grants, and has accumulated a permanent fund which yields less than enough revenue to maintain the schools of the State for one day out of each year's school.

Our policy on oil leases during the recent boom in oil exploration has been one of leasing any and all school sections for which applications are made. This is in contrast to the management of Indian lands where only limited acreage is offered under competitive bidding, which has brought very substantial revenues.

Since the price of oil is likely to increase as rapidly as other prices, as shown in the chart below, a program of holding oil lands in reserve may be a more effective way of serving the interests of future generations of school children than selling the oil rapidly and putting the money into permanent funds which lose their earning power.

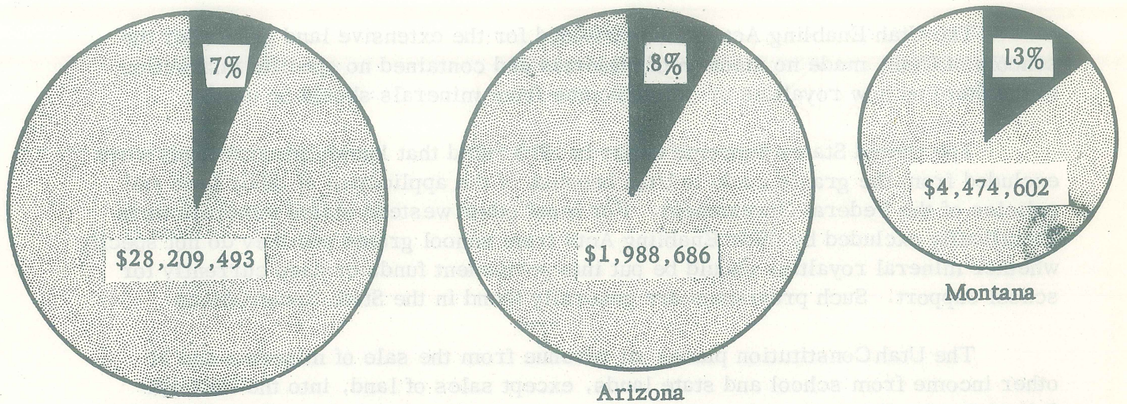
Using some of the money from royalities on oil to round-out and improve our holdings of school lands and minerals should also be given careful consideration.

CONTRASTING TRENDS OF OIL PRICES AND THE VALUE OF MONEY



COMPARATIVE RESULTS OF PUBLIC LAND POLICIES

GROUP I . STATES WITH ENABLING ACTS REQUIRING PUBLIC SALES AND MINIMUM PRICES



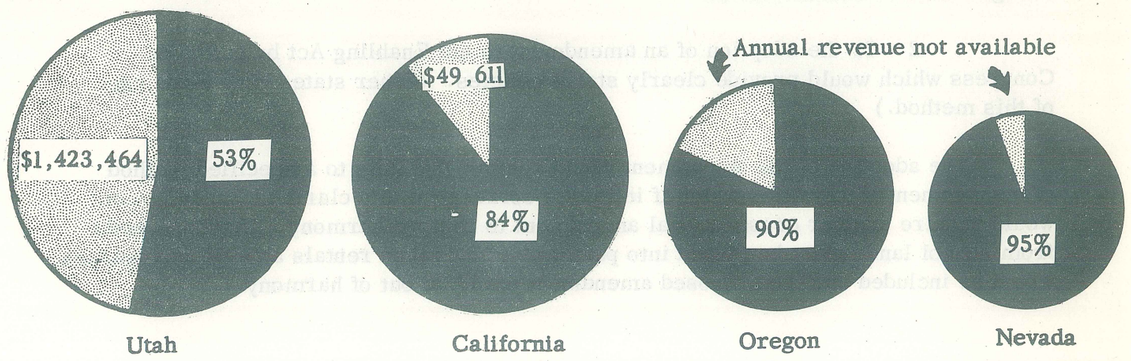
KEY:

Area of circles represents size of school and institutional grants

% — Percentage of origional grant sold

$00 — Remaining portion of origional grant with its annual revenue

GROUP II. STATES WITH ENABLING ACTS NOT REQUIRING PUBLIC SALES OR MINIMUM PRICES



INDEFINITE PROVISIONS IN UTAH'S ENABLING ACT

The Utah Enabling Act, which provided for the extensive land grants for the schools of Utah, made no mention of minerals and contained no specific instruction to the State on how royalties or other income from minerals should be used.

The United States Supreme Court in 1918 ruled that known mineral lands were excluded from the grants made to Utah because of the application of other laws and policies of the Federal Government. For most other western states minerals were specifically excluded by their Enabling Acts from school grants and they do not specify whether mineral royalties should be put into permanent funds or used currently for school support. Such provisions are generally found in the State Constitutions.

The Utah Constitution places all revenue from the sale of minerals and all other income from school and state lands, except sales of land, into the Uniform School Fund. However, mineral royalties may then be allocated in whole or in part to an investment or permanent fund or used currently for the support of schools. Methods of use of these and other funds should be chosen by the Legislature to most effectively accomplish the basic objectives of all school funds which is to maintain and improve the public schools.

Since all revenue in the Uniform School Fund can now be allocated "in such manner as the Legislature shall provide," the adoption of the amendment would needlessly replace a flexible system of managing royalties on minerals with a single rigid method that was appropriate to economic conditions of the past but may not be for the future.

METHODS OF CLARIFICATION OF THE ENABLING ACT

Utah practice in the management of mineral royalties can be brought into harmony with our indefinite Enabling Act only after:

1. A determination of the meaning of the Act by appropriate action brought before Federal Courts.

2. Or the adoption of an amendment to the Enabling Act by action of Congress which would provide clearly stated policies. (Other states have made use of this method.)

The adoption of the amendment would commit the State to a specified method of management of royalties which if it did not correspond to a clarified Enabling Act, would require another constitutional amendment to restore harmony. If all proceeds from school lands must be placed into permanent funds then rentals as well as royalties would be included and the proposed amendment would be out of harmony.

INSTABILITY IN MANAGEMENT OF PUBLIC LANDS IN UTAH

The first State Legislature in 1896 provided for the administration of school lands and resources by a State Board of Land Commissioners composed of the Governor, Secretary of State, the Attorney General and two citizens appointed by the Governor. The Attorney General was taken off the Board in 1898, the Secretary of State in 1901, and the Governor in 1905.

With each of these changes, there was an adjustment in the number of citizen members. Then in 1905 the Board became one of five citizen members. Except for one complete change in membership the Board continued for 15 years.

This five-member Board was replaced in 1921 by a Land Commissioner, who served the next four years. Administrative powers were then given to an ex-officio Board composed of the Governor, Secretary of State, and the Attorney General. This form of organization was then replaced in 1931 by a Board composed of three appointed members. The number was increased to five a few years later.

In 1941, the Land Board was abolished and all powers over public lands and resources were placed in the hands of the State Finance Commission. This arrangement lasted until 1957, when a five-man Board was restored.

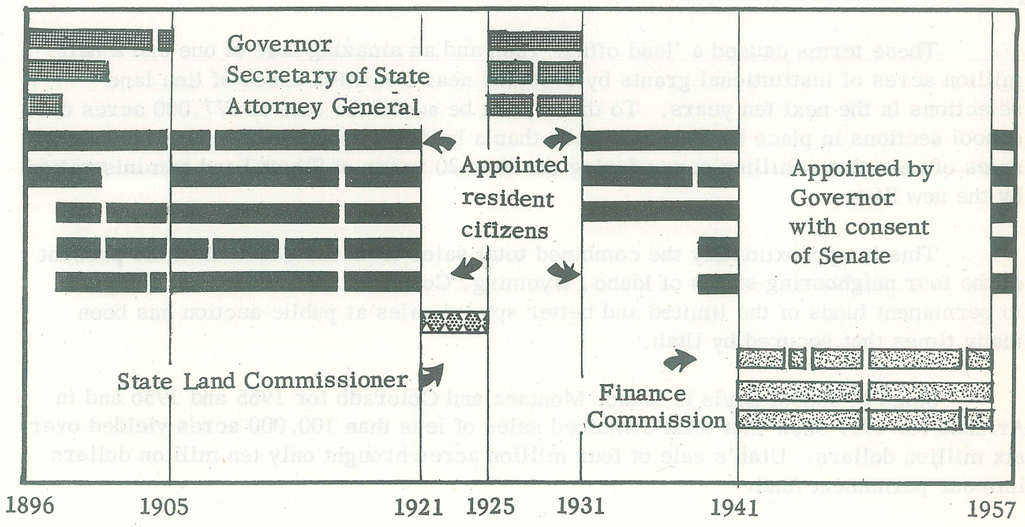
These reorganizations and also the frequent changes in Board membership are shown on the chart below. Serious handicaps in effective administration of Utah school lands and resources are evident.

A total of 52 members have served on the Board in the 62 years since Statehood. The longest period of service was eleven years for three members. Two others served nine years. Only eleven other members served more than four years, while 33 served four years or less.

In contrast, Idaho, Montana, Wyoming, New Mexico, and Arizona have maintained without change the same form of public land administration since Statehood.

CHANGES IN ORGANIZATION AND MEMBERSHIP OF STATE LAND BOARD
1896 to 1958

Verticle lines show major changes in form of Board organization
Break in lines indicates changes in Board membership



RAPID SALE OF UTAH SCHOOL LAND IN EARLY YEARS OF STATEHOOD

Congress in 1850 took effective action to reserve lands for the schools of Utah by providing in the Act establishing a Territorial Government, "That when the lands in said Territory shall be surveyed that sections numbered 16 and 36 in each township. . .shall be reserved for the purposes of being applied to the schools." In 1896 nearly all of these two sections were still reserved and turned over to the new State and along with these most of sections 2 and 32. With the acquisition of title they were placed on the market and the more valuable ones sold within a few years.

The rapid sale of Utah school lands at low prices during the early years of Statehood is the most unfortunate phase of our public lands administration.

Most other western states have followed a program of restricted sales of their public lands in contrast to early rapid sales in Utah and three other states.

Probably the major cause of this difference was the strict provision in most Enabling Acts that the sale of all school lands must be at public auction usually at minimum prices of 5, 10, or 25 dollars per acre. There were no such provisions in Utah's Enabling Act.

After a beginning of required public sale, the Legislature changed the law to permit private sales and this soon became the dominant practice.

The usual procedure was for an individual to fill out a form with legal description of the tract desired and send this with a deposit of 25 cents per acre to the State Land Board.

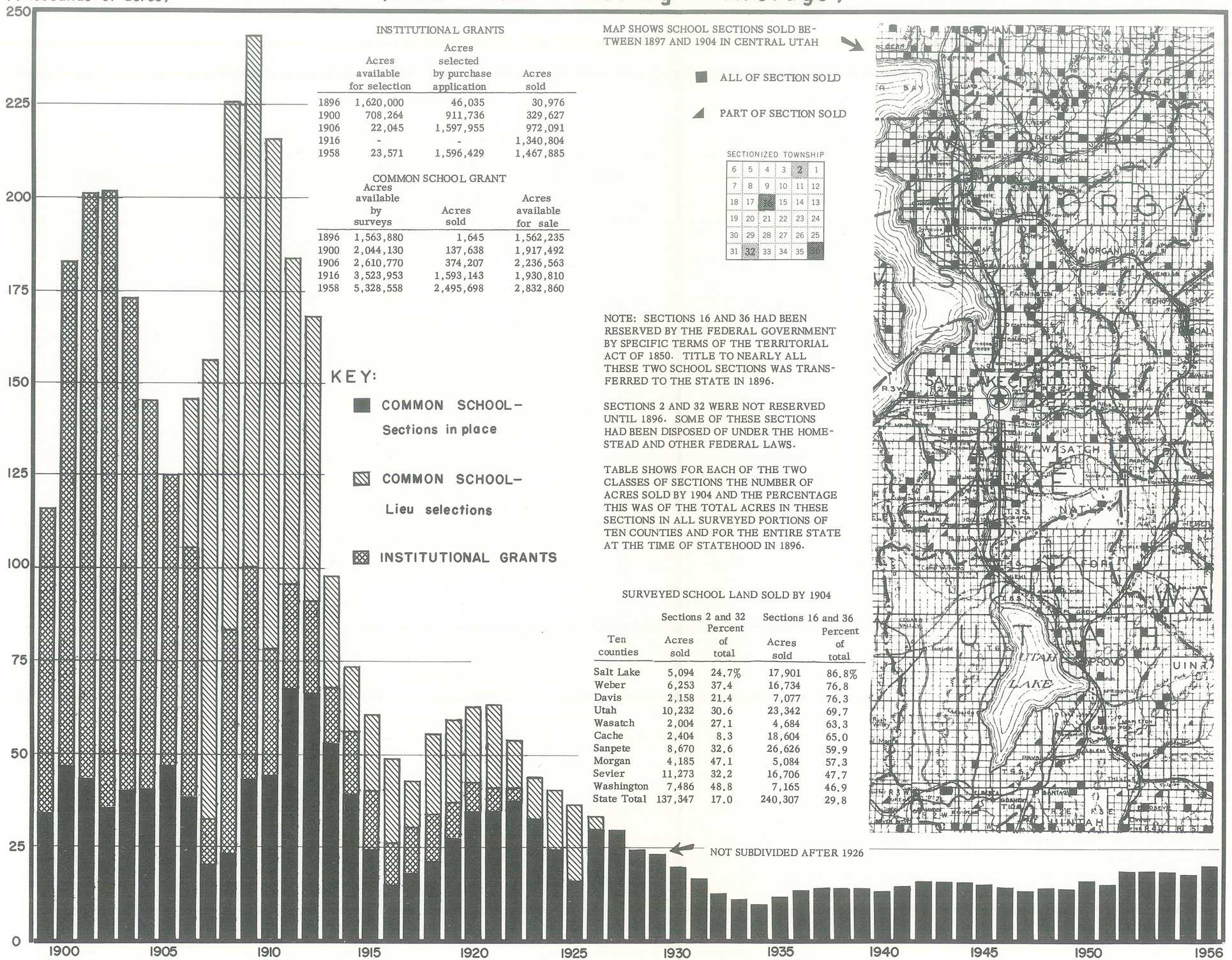
The Board then grouped these tracts and submitted them as selections under the floating grants during the years before 1906 and as lieu land selections after 1906. The minimum prices were $1.25 and $1.50 per acre during the early years which could be paid in ten annual installments.

These terms caused a 'land office' rush and an amazing sale of one and a half million acres of institutional grants by 1906 and near a million acres of lieu land selections in the next ten years. To these must be added the sale of 377,000 acres of school sections in place by 1904 and more than a half million by 1916. This made total sales of near three million acres during the first 20 years of Trust Land administration by the new State.

This is approximately the combined total sales from Statehood until the present of the four neighboring states of Idaho, Wyoming, Colorado, and Arizona. The yield to permanent funds of the limited and better spaced sales at public auction has been many times that secured by Utah.

Sales of school lands in Idaho, Montana and Colorado for 1955 and 1956 and in Arizona for 1957 show that total combined sales of less than 100,000 acres yielded over six million dollars. Utah's sale of four million acres brought only ten million dollars into our permanent fund.

PERIODS OF SALE OF UTAH SCHOOL LANDS
(Five Year Moving Average)



INSTITUTIONAL GRANTS

	Acres available for selection	Acres selected by purchase application	Acres sold
1896	1,620,000	46,035	30,976
1900	708,264	911,736	329,627
1906	22,045	1,597,955	972,091
1916	-	-	1,340,804
1958	23,571	1,596,429	1,467,885

COMMON SCHOOL GRANT

	Acres available by surveys	Acres sold	Acres available for sale
1896	1,563,880	1,645	1,562,235
1900	2,044,130	137,638	1,917,492
1906	2,610,770	374,207	2,236,563
1916	3,523,953	1,593,143	1,930,810
1958	5,328,558	2,495,698	2,832,860

MAP SHOWS SCHOOL SECTIONS SOLD BETWEEN 1897 AND 1904 IN CENTRAL UTAH

ALL OF SECTION SOLD

PART OF SECTION SOLD

SECTIONIZED TOWNSHIP

6	5	4	3	2	1
7	8	9	10	11	12
18	17		15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	

NOTE: SECTIONS 16 AND 36 HAD BEEN RESERVED BY THE FEDERAL GOVERNMENT BY SPECIFIC TERMS OF THE TERRITORIAL ACT OF 1850. TITLE TO NEARLY ALL THESE TWO SCHOOL SECTIONS WAS TRANSFERRED TO THE STATE IN 1896.

SECTIONS 2 AND 32 WERE NOT RESERVED UNTIL 1896. SOME OF THESE SECTIONS HAD BEEN DISPOSED OF UNDER THE HOMESTEAD AND OTHER FEDERAL LAWS.

TABLE SHOWS FOR EACH OF THE TWO CLASSES OF SECTIONS THE NUMBER OF ACRES SOLD BY 1904 AND THE PERCENTAGE THIS WAS OF THE TOTAL ACRES IN THESE SECTIONS IN ALL SURVEYED PORTIONS OF TEN COUNTIES AND FOR THE ENTIRE STATE AT THE TIME OF STATEHOOD IN 1896.

SURVEYED SCHOOL LAND SOLD BY 1904

Ten counties	Sections 2 and 32 Acres sold	Sections 2 and 32 Percent of total	Sections 16 and 36 Acres sold	Sections 16 and 36 Percent of total
Salt Lake	5,094	24.7%	17,901	86.8%
Weber	6,253	37.4	16,734	76.8
Davis	2,158	21.4	7,077	76.3
Utah	10,232	30.6	23,342	69.7
Wasatch	2,004	27.1	4,684	63.3
Cache	2,404	8.3	18,604	65.0
Sanpete	8,670	32.6	26,626	59.9
Morgan	4,185	47.1	5,084	57.3
Sevier	11,273	32.2	16,706	47.7
Washington	7,486	48.8	7,165	46.9
State Total	137,347	17.0	240,307	29.8

PROPOSED AMENDMENT NEITHER NECESSARY NOR DESIRABLE

When the Uniform School Fund Program was formulated 20 years ago, the Constitution was amended to provide that only the proceeds from the sale of lands be put into the permanent fund. Other types of income, such as rentals and royalties, were placed in the Uniform School Fund to be "apportioned in such manner as the Legislature shall provide."

The Utah Enabling Act, when referring to university and college grants, specified that "proceeds of the sale of said lands" shall be placed in permanent funds, but when referring to all school grants said, "proceeds of lands herein granted."

Oregon and Utah were the only Western States with such indefinite provisions. In the case of other states it was specific that, "proceeds of the sale" should go into permanent funds.

While the present Constitution makes it possible to conform to any clarification of requirements in the manner of use of mineral royalties there is, in the absence of required changes, the opportunity to modify policies to meet changing conditions in an effort to bring greatest benefits to the schools. Since this is the basic purpose of the land grants, it would seem best to seek an amendment to the Enabling Act, if that is necessary, rather than follow obsolete practices.

All Enabling Acts are products of the United States Congress. Recent changes in Federal policies on land grants are reflected in the Enabling Act for the new State of Alaska. Over one hundred million acres are granted, including all mineral rights, which must be reserved if the surface rights are sold. Mineral deposits in such lands shall be subject to lease "as the State Legislature may direct." There is no mention of permanent funds or how the proceeds are to be used. This is to be determined by the Legislature.